

# MORNING REPORT

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## Top News

### NZ dollar gains amid rising optimism for US-China trade pact

Financial markets have taken the fact that the US-China trade talks in Beijing carried on into a third unscheduled day as a positive, boosting the fortunes of riskier assets including the New Zealand dollar.

The kiwi was trading at 67.50 US cents at 5pm in Wellington from 67.22 at 8.30am. The trade-weighted index rose to 73.26 points from 73.03.

"Everyone expects Donald Trump to want to make a deal because he will want the markets to go up and make him look good," says Mitchell McIntyre at HiFX.

A tweet from the US president saying "talks with China are going very well!" added to the growing optimism.

The broad measure of US stocks, the S&P 500 Index has dropped about 8 percent since Trump and China's President-for-life Xi Jinping agreed a 90-day truce at a Dec.1 meeting in Argentina.

Unless the talks are fruitful, Trump is planning to increase US tariffs on about US\$200 billion of Chinese goods from 10 percent to 25 percent.

The markets have taken the fact that the current round of talks went on longer than expected as a positive sign, McIntyre says.

"Risk is trading higher across the market" and last week's wild swings have been completely shrugged off, he says.

The New Zealand dollar had traded more than a two-cent range in the middle of last week and the Australian dollar was even more volatile, trading in a four-cent range.

### NZ shares gain as trade fears ease

New Zealand shares gained, supported by growing optimism that the US and China can reach a trade deal. A2 Milk benefited from the lift in sentiment.

The S&P/NZX 50 index increased 126.07 points, or 1.4 percent, to 8,947.22. Within the index, 35 stocks gained, seven fell and eight were unchanged. Turnover was \$91 million.

Asian markets pushed higher after the US and China extended trade talks in Beijing for an unscheduled third day on Wednesday, amid signs of progress. Australia's S&P/ASX was up 0.9 percent while Japan's Topix was up 1.4 percent and Hong Kong's Hang Seng was up 2.4 percent.

"Our market has a strong, firm tone with reasonable leads from offshore. It's a sea of green in Asia today and we are just part of it," said Peter McIntyre, investment adviser at Craigs Investment Partners. "It's interesting there is still a shutdown in the US and that hasn't had a material impact on markets at all but the reduced trade tensions have certainly had a significant impact on markets."

He noted, however, that volumes remain light in holiday-affected trading.

A2 Milk added 3.7 percent to trade at \$11.48, benefiting from the improved sentiment.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,715.56	132.24	▲	1.38%
S&P/NZX 50 Index	8,947.22	126.07	▲	1.43%
S&P/NZX MidCap Index	26,165.75	215.99	▲	0.83%
S&P/NZX SmallCap Index	58,262.48	239.79	▲	0.41%
S&P/NZAX All Index	517.10	0.00	▼	0.00%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	5,838.40	55.10	▲	0.95%
S&P/ASX 200	5,778.30	55.90	▲	0.98%
ASX Small Ordinaries	2,512.00	22.90	▲	0.92%
S&P/ASX MIDCAP 50	6,310.50	89.80	▲	1.44%
S&P/ASX 20	3,243.90	24.20	▲	0.75%
Foreign Markets Index				
	Last	Change		
S&P 500	2,585.87	11.46	▲	0.45%
Dow Jones	23,900.76	113.31	▲	0.48%
NASDAQ Composite	6,954.78	57.78	▲	0.84%
DAX	10,893.32	89.34	▲	0.83%
ASX All Ordinaries	5,838.40	55.10	▲	0.95%
NIKKEI 225	20,427.06	223.02	▲	1.10%
HANG SENG INDEX	26,462.32	586.87	▲	2.27%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9469	0.0054	▲	0.57%
USD	0.6800	0.0078	▲	1.16%
CNY	4.6350	0.0270	▲	0.59%
EUR	0.5886	0.0011	▲	0.19%
CAD	0.8986	0.0064	▲	0.72%
GBP	0.5313	0.0026	▲	0.49%
JPY	73.5025	0.4045	▲	0.55%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.21			
10-year Swap	2.67			
Commodities Futures				
	Last	Change		
Gold	1,294.40	8.50	▲	0.66%
Silver	15.77	0.05	▲	0.33%
Crude Oil	52.20	2.42	▲	4.86%

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